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11
12 UNITED STATES DISTRICT COURT
13 NORTHERN DISTRICT OF CALIFORNIA
14

15 APPLIED MATERIALS, INC.,

16 Plaintiff,

17 vs.

18 DEMARAY LLC,

19 Defendant.

CASE NO. 5:20-cv-05676-EJD

**APPLIED MATERIALS, INC.'S
OPPOSITION TO DEMARAY LLC'S
MOTION TO DISMISS**

Hearing Date: March 4, 2021

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1 **I. INTRODUCTION**

2 Demaray challenges this Court’s jurisdiction by arguing that its infringement suits against
 3 Applied’s customers—which rely **exclusively** on Applied’s products, materials, website, and
 4 literature—are somehow **not** directed at Applied’s products and technology. Demaray’s strained
 5 arguments, first raised in response to Applied’s motion to enjoin Demaray from proceeding in its
 6 suits against Applied’s customers in the Western District of Texas, were rebutted in reply, including
 7 with sworn declarations from Applied, Intel, and Samsung. Undeterred, Demaray attempts to thread
 8 this needle again by contending in its motion that Intel and Samsung modify Applied’s reactors
 9 after Applied manufactures and installs them into an allegedly infringing “configuration” such that
 10 the customer suits did not impliedly assert infringement against Applied. But nowhere in the
 11 customer complaints does Demaray even allege that such post-installation modifications take place,
 12 nor does Demaray produce evidence for its theory.

13 The Applied reactors identified and accused in the customer suits are built by Applied to
 14 meet the customers’ specific requirements and thereafter installed by Applied at the customers’
 15 fabrication facilities. Accordingly, when considering the allegations in the customer complaints in
 16 view of Applied’s commercial relationship with its customers, there is a reasonable potential that
 17 Demaray could bring a claim of infringement against Applied based on the same allegations against
 18 Intel and Samsung. Samsung and Intel have denied that their use of Applied’s reactors infringe,
 19 and likewise, Applied seeks declaratory judgment that it, and its reactors, do not infringe. There is
 20 no basis to challenge this Court’s jurisdiction over Applied’s claims.

21 Likewise, Demaray’s 12(b)(6) challenges to the non-infringement claims based on license
 22 or assignments should be denied, in particular where disputed facts are viewed in the light most
 23 favorable to the nonmoving party. First, Applied has pleaded that it cannot infringe because the
 24 Asserted Patents were licensed as part of a Sales and Relationship Agreement between two
 25 sophisticated commercial entities. Demaray overreaches by arguing that this commercial contract
 26 is invalid based on § 16600 and that Applied is estopped from arguing otherwise based on the
 27 *Advanced* opinion. Demaray is wrong on both. *Advanced* never addressed this commercial contract,
 28 let alone the assignment provisions that the parties were aware of and considered as part of their

1 negotiations that led to the agreement. Nor does the holding in *Advance* address the specific facts
2 and issues in this case, where the Federal Circuit has confirmed in both *Whitewater* and *Roche* that
3 an essential threshold question under § 16600 is whether there is “evidence of a restraining effect
4 on [a former employee’s] ability to engage in his profession.” Demaray does not argue that there
5 has been a restraining effect on Dr. Demaray or any other former employees’ ability to engage in
6 their profession—because there is none.

7 For this reason, § 16600 does not apply to Applied’s non-infringement claims based on the
8 assignment provisions of one or more the named inventors either. Unlike in *Advanced* or
9 *Whitewater*, Applied is not seeking to enjoin former employees from competing with Applied, nor
10 is Applied seeking ownership rights in the Asserted Patents; rather Applied is only seeking a
11 declaration that it does not infringe for two independent and distinct reasons: (1) Demaray’s
12 predecessor entity granted Applied a license, restricted in scope, that covers the Asserted Patents
13 as part of a commercial contract; and separately (2) Demaray cannot establish ownership over the
14 ownership interest of at least one named inventor. While Demaray may disagree on the merits, it
15 has no basis to argue that Applied has failed to plead a plausible claim for relief that Applied does
16 not infringe for these additional reasons. Demaray’s transparent attempt to delay this case from
17 proceeding, while its suits against Applied’s customers where the same defenses have been raised,
18 should be denied.¹

19
20
21 ¹ Demaray’s inconsistent conduct in the customer suits regarding the same license and assignment
22 arguments, raised as affirmative defenses, is telling. Shortly after Intel and Samsung answered
23 Demaray demanded, relying on *Advanced*, that they provide “other support for these defenses” in
24 an amended pleadings or withdraw them, or otherwise “be prepared to meet and confer regarding
25 a motion to strike.” Exs. A, B. The customers amended their affirmative defenses to add the same
26 factual allegations as set forth in Applied’s FAC, which Demaray presumably recognized as
27 sufficient at the pleading stage as no motion to strike followed. Exs. C, D.
28

II. BACKGROUND

A. **Demaray's Customer-Suit Complaints Rely Exclusively on Applied's Reactors and Product Materials to Support Infringement Allegations**

Demaray filed two actions in the Western District of Texas (“WDTX”) against Applied’s customers—Intel and Samsung—accusing them of infringing U.S. Patent Nos. 7,544,276 and 7,381,657 (the “Asserted Patents”) by using Applied’s reactors. *See* Exs. A and B to Applied’s First Amended Complaint (“FAC”). Specifically, Demaray accuses Applied’s customers of infringing the Asserted Patents by using “RMS reactors” in the “Endura product line from Applied Materials, Inc.” to deposit layers into certain semiconductor products. Ex. A to FAC at ¶ 25; Ex. B to FAC at ¶ 28. To support its claims for infringement, Demaray relies exclusively on Applied’s products, materials, literature, and website. *See* Ex. A to FAC at ¶ 25 (screenshot of Applied’s Endura reactor from Applied’s website and citing to various Applied product materials, including an Endura reactor brochure, a journal article written by Applied employees regarding TaN deposition chambers, and an Applied presentation on TiN deposition chambers); *see also id.* at ¶¶ 28, 29, 31, 32, 34, 35, 37, 38, 52, 53, 55, 56, 62, 63, 65, 67; Ex. B to FAC at ¶¶ 28, 31, 32, 34, 35, 37, 38, 40, 41, 54, 55, 57, 58, 61, 62, 64, 65, 67, 69. Indeed, every image in the customer complaints are of Applied’s reactors or components thereof, or are images of diagrams and schematics of Applied’s reactors and/or are from Applied’s website or product materials.

While Demaray’s customer-suit complaints make vague allegations of “configurations” to Applied’s reactors, those allegations are asserted solely “on information and belief” and either rely exclusively on evidence from Applied (as opposed to Samsung or Intel) or on no evidence whatsoever. *See, e.g.,* Ex. A to FAC at ¶¶ 33, 36, 39; Ex. B to FAC at ¶¶ 36, 39, 42 (“On information and belief, [Intel/Samsung] configures, or causes to be configured . . .”). Demaray makes these “configuration” allegations as to three power supply-related limitations: (1) the “pulsed DC power supply coupled to the target,” (2) “an RF bias power supply coupled to the substrate,” and (3) “a narrow band-rejection filter that rejects at a frequency of the RF bias power supply coupled between the pulsed DC power supply and the target area.” *Id.*

Regarding the first limitation—“pulsed DC power supply coupled to the target”—Demaray

1 relies exclusively on (1) schematics from Applied's product literature, Ex. A to FAC at ¶¶ 34, 35
 2 (first image); Ex. B to FAC at ¶¶ 37, 38 (first image), and (2) an image of an Applied Endura
 3 reactor, Ex. A to FAC at ¶ 35 (second image); Ex. B to FAC at ¶ 38 (second image).² Regarding
 4 the second limitation—"an RF bias power supply coupled to the substrate"—again, Demaray relies
 5 exclusively on (1) a schematic from Applied's product literature, Ex. A to FAC at ¶ 37; Ex. B to
 6 FAC at ¶ 40, and (2) two images of Applied's reactors.³ Thus, Demaray's conclusory allegations
 7 in its motion that these two power supplies limitations are somehow "configured" by Intel and
 8 Samsung are belied by the fact that Demaray relies on Applied's products and Applied's product
 9 materials—not Intel's or Samsung's—to support its infringement allegations. Indeed, nowhere in
 10 the complaints does Demaray expressly allege that Intel or Samsung takes the Endura reactors,
 11 admittedly supplied from Applied, and then replaces either or both power supply with their own.
 12 The more reasonable interpretation of Demaray's allegations, based on its citation to literature and
 13 images of Applied's reactors, is that Applied provides the power supplies with the reactors that
 14 Applied builds and configures for its customers to meet their specific specification requirements
 15 (*i.e.*, Intel/Samsung "causes to be configured").

16 Finally, regarding the third limitation—the "narrow band-rejection filter"—Demaray
 17

18 ² Demaray did not provide a citation for where it acquired the Endura reactor image at this
 19 paragraph; however, a reverse-image search on Google reveals that it came from a third-party
 20 website selling a preowned Applied Endura reactor. See [https://caeonline.com/buy/reactors/amat-](https://caeonline.com/buy/reactors/amat-applied-materials-endura-ii/9090977)
 21 [applied-materials-endura-ii/9090977](https://caeonline.com/buy/reactors/amat-applied-materials-endura-ii/9090977).

22 ³ One of which prominently displays the "Applied Materials" logo in blue next to the red arrow
 23 signaling where the "RF power connection to the substrate" is located, Ex. A to FAC at ¶ 38; Ex.
 24 B to FAC at ¶ 41. For the other image in this paragraph, Demaray did not provide a citation for
 25 where the image was acquired; however, a reverse-image search on Google reveals that it came
 26 from a press release on Applied's website relating to Applied's Endura system. See
 27 [https://www.appliedmaterials.com/company/news/press-releases/2015/05/applied-materials-](https://www.appliedmaterials.com/company/news/press-releases/2015/05/applied-materials-breakthrough-patterning-hardmask-enables-copper-interconnect-scaling)
 28 [breakthrough-patterning-hardmask-enables-copper-interconnect-scaling](https://www.appliedmaterials.com/company/news/press-releases/2015/05/applied-materials-breakthrough-patterning-hardmask-enables-copper-interconnect-scaling).

provides no citation to any evidence whatsoever. Ex. A to FAC at ¶ 40 (“On information and belief, a narrowband filter is used in the Intel RMS reactors as configured to . . . protect the pulsed DC power supply from feedback from the RF bias power supply”); Ex. B to FAC at ¶ 40; *see also* Dkt. No. 23 at 4 (“The narrow band rejection filter allows the power sources to properly function, but prevents damaging feedback to the pulsed DC power source from the RF bias.”); *see also* Mot. at 5. In addition to Demaray’s failure to provide any factual or evidentiary support that Intel or Samsung “configures” Applied’s reactors to add this filter to Applied’s reactors, these same arguments were already rebutted in Applied’s reply brief in support of its injunction motion. *See* Dkt. No. 26-12 at ¶¶ 15–16; Dkt. No. 26-8 at ¶¶ 10–11; Dkt. No. 26-10 at ¶ 12.

B. Demaray’s Customer Suits Created a Reasonable Apprehension of Suit Against Applied

Upon reviewing Demaray’s customer suits against Intel and Samsung, Applied immediately recognized that Demaray was, in effect, implicitly asserting infringement allegations against Applied and Applied’s reactors. *See* Forster Decl. ¶¶ 2–10. This is because customers like Intel and Samsung typically provide Applied with a set of specifications for a type of film they would like to deposit, and based on those specifications, Applied manufactures the RMS reactors to deposit films according to the customers’ specifications. *Id.* at ¶ 6. The Endura system, and systems like it, are not simply purchased “off the shelf,” but rather are manufactured by Applied to meet the specifications requested by Intel and Samsung. *Id.* at ¶ 5. Performing post-installation modifications—such as modifying the power supply or adding an additional component, *e.g.* a filter— to the system as installed by Applied, could cause the reactor to no longer meet the customers’ required specifications or impact its warranty. *Id.* at ¶ 6.

At the time Applied filed its declaratory judgment complaint, Applied reasonably interpreted Demaray’s allegations in the customer complaints as implied assertions of infringement against Applied. Notably, Demaray’s motion entirely ignores that Applied manufactures, assembles, and installs the accused Endura reactor systems at Intel’s and Samsung’s respective fabrication facilities; which requires a complex precision and planning process between Applied and its respective customer. If Demaray was not aware of this process before it sued Intel and

1 Samsung,⁴ Demaray was certainly aware of before it filed the instant motion. *See* Dkt. Nos. 28-6–
 2 12. Demaray, nevertheless, disregards this reality in bringing its motion.

3 Demaray does not allege (or substantiate in any way) that, after Applied manufactured and
 4 installed its systems, Intel or Samsung subsequently—on their own—perform unauthorized post-
 5 installation hardware modifications, such as switching out a continuous DC power supply for a
 6 pulsed DC power supply. Applied is not aware of any of its customers performing such
 7 configurations. Forster Decl. ¶ 6. This strained and illogical theory, first introduced in this motion,
 8 was not pleaded, or substantiated, in the customer-suit complaints.

9 In sum, based on the allegations in Demaray’s customer complaints and the reality of
 10 Applied’s commercial relationships with its customers, Applied immediately recognized that,
 11 despite any conclusory allegations that Intel and Samsung purportedly “configures, or causes to be
 12 configured” the reactors, Demaray was effectively accusing Applied and Applied’s reactors of
 13 infringing the Asserted Patents. *See* Forster Decl. at ¶¶ 9–10. Because Demaray’s customer suits
 14 against Intel and Samsung implicitly accused Applied of infringement, Applied promptly filed the
 15 instant action for a judgment declaring that Applied does not directly or indirectly infringe the
 16 Asserted Patents. *See* Dkt. No. 1 at ¶¶ 16–18, 21–23; Dkt. No. 13 at ¶¶ 45–52.

17 In October 2020, Demaray served its Preliminary Infringement Contentions in the customer
 18 suits against Intel and Samsung. Demaray has maintained that the contentions, including even its
 19 selection of dependent claims to assert, are confidential and refused to produce them to Applied. A
 20 “public” version that is limited to claim 1 of each Asserted Patent has since been made available
 21 (*see* Exs. E and F), which further confirm what Applied reasonably, believed based on Demaray’s
 22 customer-suit complaints, that: Demaray’s infringement actions were, in reality, accusing Applied
 23 and Applied’s reactors of infringing the Asserted Patents. Specifically, Demaray cites exclusively
 24 _____

25 ⁴ Any purported ignorance by Demaray about how a supplier like Applied would build, configure,
 26 and install PVD reactors for its customers is not credible considering Dr. Demaray’s “more than
 27 fifty years” working in the semiconductor industry, including previously as General Manager of
 28 Applied Komatsu’s PVD division. Dkt. No. 23-1 at ¶¶ 2, 4.

1 to Applied's reactors and Applied's product materials to support infringement contentions. Indeed,
 2 every image, diagram, and schematic for the infringement contentions of claim 1 of the '276 patent
 3 is of Applied's products and/or come from Applied's product materials. Those contentions, like the
 4 customer complaints, are devoid of any allegations that the customers make post-installment
 5 hardware modifications to the accused reactors supplied by Applied.⁵ As with the allegations in
 6 the customer-suit complaints, Demaray's allegations are belied by the fact that Demaray
 7 consistently and repeatedly cites to Applied's products and Applied's product materials—not Intel
 8 or Samsung's—to support infringement contentions. *Id.*

9 **C. Applied's Declaratory Judgment Action Asserting Non-Infringement based**
 10 **on License**

11 After Applied filed its initial Complaint for declaratory relief, Applied filed a First
 12 Amended Complaint to add an additional non-infringement claim based on a license. Specifically,
 13 Applied seeks a declaratory judgment that it does not infringe because Applied holds a license to
 14 the Asserted Patents based on an agreement between Applied's affiliate (Applied Komatsu) and
 15 Demaray's predecessor company (Symmorphix). FAC at ¶¶ 53–64.

16 In 1998, Dr. Demaray, along with several colleagues from Applied and Applied Komatsu,
 17 left to form a new company: Symmorphix. The former employees would continue working on the

18 ⁵ Demaray continues to contradict its statements and arguments made to this Court through its
 19 conduct in the customer suits. In support of its motion, Demaray argued “[t]here is no allegation
 20 in the Texas complaints that the Demaray patents cover all PVD reactor configurations” Mot. at 5
 21 citing to Dr. Demaray's declaration at ¶ 12. Demaray has repeatedly stressed its allegations are
 22 directed to “*specific configurations*”. *Id.* at 2; *see also* Dkt. No. 23 at 4:22–5:3 and 6:4–9; Dkt.
 23 No. 40 at 5:10–23. In turn, Demaray previously agreed to narrow the scope of requested venue
 24 discovery in the customer suits from “all RMS-PVD reactors” to only ones having the “specific
 25 configuration” of providing (1) pulsed DC power to the target and (2) RF bias to substrate, as
 26 required by the Asserted Patents. Ex. I. Yet on Dec. 7, Demaray reversed course, serving venue
 27 discovery requests that seek information on all RMS-PVD reactors, not limited by any “specific
 28 configuration” whatsoever. Exs. J at 2, K at 2 (defining Samsung/Intel RMS-PVD chamber).

1 same technology they worked on at Applied and Applied Komatsu, including sputtered silicon
 2 deposition technology. *Id.* at ¶¶ 15–16. In support of the former employees’ continued work in this
 3 area, Applied Komatsu and Symmorphix executed a Sale and Relationship Agreement (“SRA”) on
 4 December 11, 1998, under which Symmorphix would continue using Applied Komatsu facilities
 5 and purchase two Applied Komatsu systems. Pursuant to the SRA, Symmorphix continued using
 6 the Applied Komatsu facilities and equipment until at least the Fall of 1999. Ex. G at 14–15. As
 7 part of the SRA, Symmorphix granted Applied a license to “any rights of Symmorphix under any
 8 patents issued based on any patent applications filed before January 1, 2001, for inventions,
 9 improvements, or enhancements developed by Symmorphix relating to sputtered silicon deposition
 10 technology, provided that AKTA shall not utilize such rights to pursue the same product objectives
 11 concerning flat panel displays as Symmorphix.” Ex. G at 9. Dr. Demaray admitted that “[a]s part
 12 of the agreement, Applied Komatsu agreed to release me and the other former employees joining
 13 Symmorphix from assignment provisions in certain employment agreements.” Dkt. No. 23-1 at ¶
 14 6. The release provision (paragraph 4 of Exhibit C) follows the “License Grants” set forth in Exhibit
 15 C of the SRA. *See* Ex. G at 9.

16 In early 1999, Symmorphix contacted Applied Komatsu to renegotiate the license provision
 17 in the SRA. Ex. H. Specifically, Symmorphix expressed concern that the license provision “may
 18 allow [Applied Komatsu] . . . to compete with Symmorphix.” *Id.* at 1. At Symmorphix’s behest,
 19 Applied Komatsu renegotiated the license provision and on January 29, 1999, entered into an
 20 amendment to the SRA. The parties agreed that, “provided that [Applied Komatsu] shall not utilize
 21 such rights to pursue a business of providing [sputtering silicon deposition services],” Symmorphix
 22 grants Applied Komatsu a perpetual, royalty-free license to “inventions, improvements, or
 23 enhancements developed by Symmorphix relating to sputtered silicon deposition technology”—the
 24 technology embodied in the Asserted Patents. Ex. G at 11. The amendment to the license grant of
 25 the SRA broadened the non-compete condition to “provided that AKTA shall not utilize such rights
 26 to pursue a business of providing Services” where “Services” is defined as “providing sputtered
 27 silicon deposition services.” *Id.* The amendment also removed the temporal limitation of “before
 28 January 1, 2001,” but limited the grant to inventions conceived of by former Applied or Applied

Komatsu personnel who subsequently joined Symmorphix, such as Dr. Demaray, as opposed to any Symmorphix employee.

Symmorphix and Applied Komatsu were two sophisticated commercial entities that negotiated an arms' length commercial contract granting Applied Komatsu a license to Symmorphix patents, and preventing Applied Komatsu from competing with Symmorphix. The license grant expressly permitted Applied Komatsu to transfer or assign such license grant to Applied, and expressly allowed Applied Komatsu's customers to use such inventions as well. FAC at ¶ 19. Therefore, Applied separately seeks a declaration it does not infringe because Applied holds a license to the Asserted Patents by virtue of the SRA.

D. Applied's Declaratory Judgment Action Asserting Non-Infringement based on Assignment Provisions

Applied's First Amended Complaint also added a non-infringement claim based on Demaray's inability to establish complete ownership over the Asserted Patents. Specifically, Applied seeks a declaratory judgment that Applied cannot infringe because Symmorphix never had the assignment rights of named inventor, Mukundan Narasimhan. Importantly, Applied is not making a declaratory judgment claim that it has an ownership interest in the Asserted Patents; rather, Applied is seeking a declaration that Demaray cannot establish ownership over Mr. Narasimhan's interest and therefore cannot bring an infringement claim. FAC at ¶¶ 53–64.

Under the provisions of Mr. Narasimhan's employee agreement with Applied, Mr. Narasimhan's ownership rights in the Asserted Patents' parent application were automatically assigned to Applied. *Id.* at ¶¶ 29–33. That defect in the chain of title precludes Demaray from asserting infringement. Therefore, Applied separately seeks a declaration that Applied's products cannot infringe the Asserted Patents because Demaray cannot establish ownership over Narasimhan's interest and therefore cannot bring an infringement claim. FAC at ¶¶ 53–64.

III. ARGUMENT

A. The Court Has Subject Matter Jurisdiction Over Applied's Claims

1. Demaray Asserts a Factual Challenge to Jurisdiction Under Rule 12(b)(1)—Thus Requiring Introduction of Extrinsic Evidence

A jurisdictional challenge under Rule 12(b)(1) can be either facial or factual. *Safe Air For*

1 *Everyone v. Meyer*, 373 F.3d 1035, 1039 (9th Cir. 2004). “A facial 12(b)(1) motion involves an
 2 inquiry confined to the allegations in the complaint, whereas a factual 12(b)(1) motion permits the
 3 court to look beyond the complaint to extrinsic evidence.” *Pratt v. Whole Foods Mkt. Cal., Inc.*,
 4 No. 5:12-cv-05652-EJD, 2014 U.S. Dist. LEXIS 46409, at *6–7 (N.D. Cal. Mar. 31, 2014) (citing
 5 *Wolfe v. Strankman*, 392 F.3d 358, 362 (9th Cir. 2004)).

6 Where “the Rule 12(b)(1) motion denies or controverts the pleader’s allegations of
 7 jurisdiction,” as is the case here, “the movant is deemed to be challenging the factual basis for the
 8 court’s subject matter jurisdiction.” *Max Sound Corp. v. Google, Inc.*, 147 F. Supp. 3d 948, 952
 9 (N.D. Cal. 2015) (quoting *Cedars-Sinai Medical Ctr. v. Watkins*, 11 F.3d 1573, 1583 (Fed. Cir.
 10 1993)). “On a factual challenge, the party opposing the motion must produce affidavits or other
 11 evidence necessary to satisfy its burden of establishing subject matter jurisdiction.” *Pratt*, 2014
 12 U.S. Dist. LEXIS 46409, at *6–7 (citing *Safe Air For Everyone*, 373 F.3d at 1039). “In the absence
 13 of a full-fledged evidentiary hearing, however, disputed facts pertinent to subject matter jurisdiction
 14 are viewed in the light most favorable to the nonmoving party.” *Id.* (citing *Dreier v. United States*,
 15 106 F.3d 844, 847 (9th Cir. 1996)); *see also Edison v. United States*, 822 F.3d 510, 517 (9th Cir.
 16 2016) (“Any factual disputes . . . must be resolved in favor of [p]laintiffs.”).

17 Here, Demaray’s Motion asserts a factual challenge to jurisdiction (not a facial one) because
 18 it attempts to controvert Applied’s allegations that Demaray’s customer suits against Intel and
 19 Samsung implicitly accuse Applied and Applied’s reactors of infringing the Asserted Patents. To
 20 that end, Demaray relies on extrinsic evidence, including the Declaration of its principal, Dr.
 21 Demaray, in an attempt to show that Demaray’s customer suits purportedly do not establish an
 22 implied assertion of infringement against Applied. *See Mot.* at 5, 7–8. Demaray’s factual attack
 23 therefore requires resort to extrinsic evidence.

24 **2. Standard for Assessing Article III “Case or Controversy”**

25 The threshold question is “whether the facts alleged, under all the circumstances, show that
 26 there is a substantial controversy, between parties having adverse legal interests, of sufficient
 27 immediacy and reality to warrant the issuance of a declaratory judgment.” *MedImmune, Inc. v.*
 28 *Genentech, Inc.*, 549 U.S. 118, 127 (2007) (citation omitted). If a supplier’s declaratory judgment

jurisdiction is based on a patentee’s suit against a customer, the requirements are met if the customer suit includes an “implied assertion” of infringement against the supplier. *Microsoft Corp. v. DataTern, Inc.*, 755 F.3d 899, 903 (Fed. Cir. 2014). All that is required are “allegations by the patentee or other record evidence” in the customer suit establishing “a reasonable potential” a claim against the supplier could be brought. *Id.* at 904.

3. Demaray’s Customer Suits Establish a Reasonable Potential It Could Bring Direct Infringement Claims Against Applied

Demaray’s *exclusive* identification of Applied’s Endura reactors and reliance on Applied’s product materials, website, and literature in its customer-suit complaints create an implied assertion of infringement against Applied and establish a reasonable potential that Demaray could bring direct infringement claims against Applied based on those same allegations. *See* Ex. A to FAC at ¶¶ 25, 28, 29, 31, 32, 34, 35, 37, 38, 52, 53, 55, 56, 62, 63, 65, 67; Ex. B to FAC at ¶¶ 28, 31, 32, 34, 35, 37, 38, 40, 41, 54, 55, 57, 58, 61, 62, 64, 65, 67, 69. Although Demaray contends in its Motion that its claims relating to the ’276 patent are based on alleged “configurations” made by Intel and Samsung to Applied’s reactors, Mot. at 2, Demaray points exclusively to Applied system features and configurations—not Intel or Samsung—to support its infringement contentions. *See* Ex. A to FAC at ¶¶ 34, 35, 37, 38; Ex. B to FAC at ¶¶ 37, 38, 40, 41. On these grounds alone, Demaray’s allegations establish a reasonable potential that it could assert that Applied’s reactors, by themselves, satisfy these claim limitations, and therefore could bring an infringement claim against Applied.

In an attempt to overcome this inescapable conclusion, Demaray points to the only claim limitation for which Demaray did not cite to Applied’s products or product materials in the customer suits: “a narrow band-rejection filter that rejects at a frequency of the RF bias power supply coupled between the pulsed DC power supply and the target area.” *See* Mot. at 5. However, this allegation is asserted “on information and belief” and includes no factual or evidentiary support of its argument that Intel and Samsung modify—on their own—the Applied reactor after installation to include this feature. Ex. A to FAC at ¶¶ 39–40; Ex. B to FAC at ¶¶ 42–42. Demaray’s theory is further undermined by its later-served infringement contentions against Intel and Samsung

1 which, like the customer complaints, cite no evidence whatsoever for this limitation, let alone make
 2 an allegation of post-installation modifications by Intel or Samsung to add the narrow band-
 3 rejection filter to the Applied reactor system. Ex. E at 13; Ex. F at 13.

4 Recognizing the deficiencies in its customer complaints and infringement contentions,
 5 Demaray now claims it relied on “reverse engineering” of Intel and Samsung’s products, which
 6 allegedly “suggest[s] Intel’s and Samsung’s use of the infringing reactor configurations.” Mot. at
 7 5. First, the customer complaints make no reference to “reverse engineering” nor do Demaray’s
 8 later issued infringement contentions. Next, putting aside that this is only an attorney representation
 9 without any admissible evidence (and therefore should be disregarded), it is unclear how the
 10 purported “reverse engineering” analysis of the end product made with a reactor can conclude that
 11 configuration of the reactor was performed by one entity over another (*i.e.*, by Intel or Samsung, as
 12 opposed to Applied), or specifically that Intel and Samsung add a narrow-band rejection filter on
 13 their own to the Applied reactor post-installation. Forster Decl. at ¶¶ 7-8. Indeed, nowhere in the
 14 customer-suit complaints does Demaray allege that Intel and Samsung buy an Applied reactor and
 15 then, on their own, perform post-installation modifications to “configure” the reactor in a manner
 16 that would allegedly infringe. Regardless, Demaray has made no attempt to substantiate this point,
 17 aside from a vague and conclusory attorney argument, unsupported by facts or evidence.

18 The reality is that for each Endura system Applied has manufactured and sold to Intel or
 19 Samsung, Applied manufactures the system, assembles it, and installs it at the customers’
 20 fabrication facilities through a complex process requiring precision and planning between Applied
 21 and its respective customer. *See* Dkt. No. 26-14 at ¶ 4. Applied has no reason to believe that Intel
 22 or Samsung modifies, replaces, or adds additional hardware components to the power supply or
 23 any other aspect of the Endura system Demaray alleges Intel and Samsung “configure.” Forster
 24 Decl. at ¶ 6. As discussed, such unauthorized modifications could cause the system to no longer
 25 meet the customers’ desired specifications that the system was designed and built to meet, as well
 26 as fall outside of Applied’s warranty, which would presumably be undesirable for Intel and
 27 Samsung. *Id.* Demaray’s strained theory is both unsupported and disconnected from the evidence
 28 already disclosed to Demaray in Applied’s briefing in support of its preliminary injunction. *See*

1 Dkt. No. 26-12 at ¶¶ 15–16; Dkt. No. 26-8 at ¶¶ 10–11; Dkt. No. 26-10 at ¶ 12.⁶ Thus, when
 2 Demaray alleges in the customer-suit complaints that Intel and Samsung infringe the Asserted
 3 Patents by using Applied’s “configured” reactors, Demaray is necessarily implicitly alleging that
 4 Applied and Applied’s reactors, by themselves, infringe the Asserted Patents—and therefore,
 5 Demaray’s customer suits establish a “reasonable potential” that an infringement claim could be
 6 brought against Applied. *See DataTern, Inc.*, 755 F.3d at 904.

7 Considering the exclusive focus on Applied’s products and materials in Demaray’s
 8 complaints against Applied’s customers, a controversy exists because there is a reasonable potential
 9 Demaray could bring direct infringement claims against Applied. The potential for such claims will
 10 continue until the controversy is resolved, and this Court has jurisdiction to resolve Applied’s
 11 declaratory relief claim that it does not directly infringe the Asserted Patents through its
 12 manufacture, sale, and/or use (*e.g.*, by testing) of Applied’s Endura reactors.⁷

14 ⁶ While the Intel, Samsung, and Applied declarations were submitted to the Court after filing
 15 Applied’s operative FAC, the facts contained in those declarations, including the commercial
 16 relationship between Applied and its customers, existed at the time the FAC was filed. In other
 17 words, these are not “later events” to establish “jurisdiction where none existed at the time of
 18 filing,” *Prasco, LLC v. Medicis Pharm. Corp.*, 537 F.3d 1329, 1337 (Fed. Cir. 2008), but rather
 19 extrinsic evidence to substantiate the jurisdictional allegations in Applied’s FAC, as is proper under
 20 the factual jurisdictional challenge that Demaray has brought, *see Max Sound Corp.*, 147 F. Supp.
 21 3d at 952 (“Since the ‘facts underlying the controverted jurisdictional allegations are in dispute,’
 22 the court ‘is not restricted to the face of the pleadings, but may review evidence extrinsic to the
 23 pleadings.’”) (quoting *Cedars-Sinai Medical Ctr.*, 11 F.3d at 1583).

24 ⁷ Demaray asserts that Applied’s allegation that it does not infringe the Asserted Patents somehow
 25 proves there is no controversy. *See* Mot. at 6. The law does not require an admission of liability
 26 before a party has standing to contest a claim. No legal principles prevent Applied from bringing a
 27 declaratory action for non-infringement while also denying that it infringes the Asserted Patents.
 28 *See Arris Group, Inc. v. British Telecomm. PLC*, 639 F.3d 1368, 1380 (Fed. Cir. 2011); *Dolby*

4. Demaray’s Customers Suits Also Establish a Reasonable Potential It Could Bring Inducement and Contributory Claims Against Applied

Separately, the factual allegations in Demaray’s customer-suit complaints establish a reasonable potential that Demaray could bring claims of indirect infringement against Applied for “provid[ing] its customers with the necessary components to infringe the [Asserted Patents] as well as the instruction manuals for using the components in an infringing manner.” *DataTern*, 755 F.3d at 905; *DermaFocus LLC v. Ulthera, Inc.*, 201 F. Supp. 3d 465, 471 (D. Del. 2016).

Demaray alleges that Applied provides its customers with certain “application-specific process kits” that allow them to “modif[y]” the reactors to fit their needs. Ex. A to FAC at ¶ 25. Further, one of the Applied Endura product materials relied on by Demaray and attached to the customer-suit complaints describes (1) “[f]lexible system configuration” to “configure and run various chamber types, gases, and system hardware,” (2) “all process control parameters within the system can be tailored to user’s specific requirements within system limits,” and (3) “parameters” include “DC power,” “DC bias,” and “voltage.” *Demaray v. Intel*, No. 6:20-cv-634, Dkt. No. 1-3 at p. 8 of 9. Demaray could therefore potentially allege the various Applied product materials in Demaray’s complaints provide circumstantial evidence of the necessary *mens rea* to support an induced infringement claim: that Applied encourages the configuration of its reactors in allegedly infringing ways, including as it relates to the power supply-related configurations.

Likewise, there is a reasonable potential that Demaray could allege contributory infringement against Applied: by supplying an apparatus for use in practicing a patented process that is not a staple article of commerce suitable for substantial non-infringing use. First, Demaray relies extensively on Applied’s Endura reactors and Applied’s product materials, website, and literature to support its customer allegations of infringement. *See Arris*, 639 F.3d at 1378 (“[Patentee’s] extensive focus on Arris’ [] products in its infringement contentions implies that Arris’ products are being used as a ‘material part’ of the allegedly infringed invention[.]”).

Second Demaray sued two of the world’s biggest chipmakers, both of which have been

Labs., Inc. v. Intertrust Techs. Corp., No. 19-cv-03371-EMC, 2019 U.S. Dist. LEXIS 194022, at *18 (N.D. Cal. Nov. 6, 2019).

publicly described as Applied's "biggest" and "main customers." *See* Dkt. Nos. 27-3, 27-4. The target of Demaray's accusations (using Applied's flexible configurations) demonstrates that any alleged non-infringing uses of Applied's products outside the way the products are used by Applied's biggest customers are not intended uses (if they are used at all). Therefore, Demaray's allegations establish a reasonable potential Demaray could assert that the allegedly infringing configurations and methods are the primary and substantial use, and that any non-infringing configurations are "occasional" at best. *See Mass Eng. Des., Inc. v. Planar Sys.*, 426 F. Supp. 3d 680, 690–91 (D. Or. 2019). Further, according to Demaray, such non-infringing use results in damage to the power supply and prevents it from functioning properly, Ex. A to FAC at ¶ 40; Opp. at 4, a result Applied would presumably avoid based on Demaray's claims. *See Hoffmann-La Roche Inc. v. Promega Corp.*, No. C-93-1748, 1994 U.S. Dist. LEXIS 10174, at *30 (N.D. Cal. June 13, 1994) (non-infringing use is not "substantial" if it is not "commercially viable").

In sum, this Court has jurisdiction because Demaray's customer suits establish a reasonable potential that Demaray could assert direct and indirect infringement against Applied.

5. Demaray's Offer to License and Refusal to Covenant Not to Suit Applied Further Weighs in Favor of Finding a Controversy

As described herein, the allegations in the customer suits, by themselves, establish a controversy sufficient to confer jurisdiction in this Court. The other circumstances—such as (1) Demaray's offer to license the Asserted Patents, Dkt. No. 27-2, (2) Demaray's inexplicable assertion to the Court that it never made such an offer, Dkt. No. 26-4 at 2, (3) Demaray's continuing refusal to covenant not to sue Applied despite its repeated assertion that (for the purposes of challenging subject matter jurisdiction) it is not accusing Applied's reactors of infringement, Dkt. No. 40 at 3, and (4) Demaray's assertion that it may bring infringement counterclaims against Applied in this action, *id.* at 6—while not necessarily sufficient by themselves to establish a controversy, they are considered under the "all the circumstances" test established by the Supreme Court. *See, e.g., Bal Seal Eng'g, Inc. v. Nelson Prods.*, No. 8:13-cv-1880-JLS-KESx, 2016 U.S. Dist. LEXIS 195915, at *11–12 (C.D. Cal. Sep. 8, 2016) ("[A] refusal to provide [a covenant not to sue] . . . adds more weight to the existence of an actual controversy.") (quoting *MedImmune*, 549

1 U.S. at 127).

2 While Demaray previously asserted that it had “never approached Applied about licensing”
 3 the Asserted Patents, *See* Dkt. No. 23 at 5, Demaray now concedes that it did in fact make such an
 4 offer, *see* Mot. at 9–10. (To date, Demaray has not offered an explanation for why it asserted that
 5 this offer was never made.) While it is true that Demaray’s offer to license did not carry with it an
 6 express threat of infringement, the implication from making such an offer is that the offeree is
 7 practicing (or may in the future practice) the patented invention—otherwise there is no reason to
 8 make such an offer. Dr. Demaray, as a former Applied Komatsu employee, knows Applied’s
 9 technology and in fact worked on similar technology at Applied Komatsu, which makes such an
 10 offer more than a “bazaar merchant showing off his wares,” Mot. at 10, and instead carries with it
 11 the implied representation that Applied *may need* the patent rights being offered. Of course, the
 12 license offer, by itself, is not sufficient to establish jurisdiction, but the fact that Demaray then
 13 subsequently sued Applied’s customers for infringing the Asserted Patents based exclusively on
 14 Applied’s products and Applied’s product materials puts an allegedly innocuous license offer into
 15 a more threatening context.

16 Finally, providing further context to the circumstances, after Demaray offered the license
 17 to Applied and subsequently sued Applied’s customers for infringement, to date, Demaray has
 18 refused to either offer Applied a covenant not to sue or to otherwise make a decision as to whether
 19 it will file compulsory counterclaims for infringement against Applied in this action. *See* Dkt. No.
 20 40 at 3, 6. Demaray’s purported indecision reinforces that Applied correctly viewed Demaray’s
 21 customer suits as an “implied assertion” of infringement against Applied, such that there was a
 22 “reasonable potential” a claim against the Applied could be brought.

23 **B. Enjoining the Customer Suits under the Customer-Suit Rule is the Most**
 24 **Efficient and Convenient Way to Resolve All Actions**

25 Demaray argues that once the Court finds jurisdiction is proper it should subsequently
 26 decline jurisdiction purportedly because it would be more convenient and efficient for the two
 27 customer suits to proceed in lieu of this action. Mot. at 10–11. Nothing could be further from the
 28 truth. As explained in Applied’s Motion for Preliminary Injunction, resolution of this action will

1 prove dispositive of the majority—if not all—of the issues in the customer suits, including by
 2 resolution of Applied’s technical non-infringement claims, non-infringement claim based on a
 3 license, or non-infringement claim based on assignments. *See* Dkt. Nos. 14, 26-4. The products at
 4 issue—Applied’s Endura reactors—were designed and developed by Applied, and the license and
 5 assignment agreements were negotiated and performed by Applied and its employees. It is vastly
 6 more efficient for Applied to litigate these personal claims as a party, rather than Intel and Samsung
 7 doing so with Applied as a third party, given that Applied (not Intel or Samsung) has possession
 8 and control over the documents and witnesses necessary to litigate these claims.

9 The cases Demaray cites to argue the Court should decline jurisdiction are inapposite. For
 10 example, in *Proofpoint, Inc. v. InNova Patent Licensing, LLC*, the court declined jurisdiction based
 11 on a variety of factors not present here. First, the court found that the first-to-file rule did not provide
 12 a clear answer as to which action should take precedence and the court found that the customer-suit
 13 exception did not apply because “Proofpoint was not the only supplier of allegedly infringing
 14 technology.” No. 5:11-cv-02288-LHK, 2011 U.S. Dist. LEXIS 120343, at *18–19, n.5 (N.D. Cal.
 15 Oct. 17, 2011). Conversely, here, this action takes precedence under the customer-suit rule, in part,
 16 because Applied is the *only supplier* of allegedly infringing reactors identified in Demaray’s
 17 customer suits. Dkt. No. 14 at 4, n.1; Dkt. No. 26-4 at 8–9.

18 Second, the *Proofpoint* court also found that the interests of judicial economy warranted
 19 declining jurisdiction because the Texas action had been pending for nearly a year before the
 20 declaration judgment action was filed, a claim construction ruling was pending in the Texas action,
 21 and the Texas court had already invested “considerable energy” in the action. 2011 U.S. Dist.
 22 LEXIS 120343, at *19–20. Here, to the contrary, this action and the customer suits were filed at
 23 approximately the same time and the WDTX court has not taken any substantive action in the
 24 customer suits.⁸ Finally, the *Proofpoint* court noted that the plaintiff did not dispute that Texas was

25
 26 ⁸ Demaray mischaracterizes the WDTX proceedings by claiming that Intel and Samsung requested
 27 a stay of the customer suits. Mot. at 11. Intel and Samsung did not request a stay, but rather asked
 28 the WDTX court to defer issuing a scheduling order in light of the then-upcoming preliminary

1 a convenient forum. *Id.* at 22. Here, Applied has clearly asserted that WDTX is in inconvenient
 2 forum for all parties, as there neither this action nor the parties has any relevant connection to
 3 WDTX; rather, all relevant witnesses and evidence are located in or around NDCA. *See* Dkt. No.
 4 14 at 17–18; Dkt. No. 26-4 at 13–15. In sum, far from warranting dismissal of this action, the
 5 comparative efficiency and comparative convenience between this action and the customer suit
 6 significantly weighs in favor of this Court assuming jurisdiction and temporarily enjoining the
 7 customer suits during the pendency of this action.

8 C. Demaray’s Motion Under Rule 12(b)(6) Should Be Denied

9 As an initial matter, Demaray’s argument that Applied is estopped from asserting the
 10 validity of the license and assignment provisions is fundamentally flawed, *see* Mot. at 13 (citing
 11 *Applied Materials, Inc. v. Advanced Micro-Fabrication Equip. (Shanghai) Co.* 630 F. Supp. 2d
 12 1084 (N.D. Cal. 2009)). In particular, collateral estoppel does not apply (1) when the facts
 13 underlying the earlier judgment are materially different than those in the subsequent action, or (2)
 14 when there is an intervening change in the applicable legal context. *Kanbar v. O’Melveny & Myers*,
 15 849 F. Supp. 2d 902, 908–09 (N.D. Cal. 2011); *see also Valley View Health Care, Inc. v. Chapman*,
 16 992 F. Supp. 2d 1016, 1047 (E.D. Cal. 2014).

17 As explained in detail below, the facts of this case and those in *Advanced* are drastically
 18 different, as was the existing legal precedent regarding § 16600 when *Advanced* was decided. First,
 19 unlike in *Advanced*, this action involves not just assignment agreements, but also a subsequent
 20 license provision included in a broader, more complex, commercial contract that was negotiated at
 21 arms’ length by sophisticated commercial entities: Symmorphix and Applied Komatsu. Demaray
 22 erroneously frames the license provision as being contingent on whether the assignment provisions
 23 _____
 24 injunction hearing before this Court. The court ultimately entered a scheduling order pursuant to
 25 the court’s ordinary practice—and, importantly, made no findings or ruling on the question of
 26 whether Applied’s action in this Court or the customer suits in WDTX should take precedence
 27 under the “customer suit” rule. This is the second time Demaray has mischaracterized these
 28 proceedings. *See* Dkt. Nos. 32, 34.

1 of the inventors are valid and enforceable, and then further overreaches by suggesting that
 2 *Advanced* prevents Applied from asserting its license rights; but *Advanced* had nothing to do with
 3 the Sales and Relationship Agreement’s license provision, let alone decide that the license provision
 4 of that Agreement was invalid or unenforceable.

5 Second, unlike in *Advanced*, here Applied is not seeking to enjoin former employees from
 6 competing with Applied, nor is Applied seeking ownership rights in the Asserted Patents; rather,
 7 Applied is only seeking a declaration that it does not infringe the Asserted Patents for two
 8 independent and distinct reasons: (1) Demaray’s predecessor entity, Symmorphix, granted Applied
 9 a restricted license that covers the Asserted Patents as part of a Sales and Relationship Agreement;
 10 and separately, (2) that Demaray cannot establish ownership over the ownership interest of at least
 11 one named inventor.

12 Thus, enforcement of the assignment provisions in this action will not implicate any
 13 restraint-of-trade or employee-mobility concerns. Indeed, Federal Circuit precedent applying §
 14 16600 since *Advanced* was decided has confirmed that evidence of a “restraining effect” on the
 15 former employee’s “ability to engage in his profession” is “a threshold ground for application of §
 16 16600.” *Whitewater W. Indus. v. Alleshouse*, Nos. 2019-1852, 2019-2323, 2020 U.S. App. LEXIS
 17 36394, at *25–26 (Fed. Cir. Nov. 19, 2020) (citing *Bd. of Trs. of the Leland Stanford Junior Univ.*
 18 *v. Roche Molecular Sys.*, 583 F.3d 832, 845 (Fed. Cir. 2009)). Given the materially different factual
 19 and legal landscape before the *Advanced* court and this Court, collateral estoppel does not apply—
 20 thus, permitting the Court to address the merits. *See Kanbar*, 849 F. Supp. 2d at 909 (“Accordingly,
 21 because there has been a change in the law and the issues are not identical . . . collateral estoppel
 22 does not apply. The Court thus turns to the merits of the arguments[.]”).

23 **D. Applied has Pleaded Sufficient Facts for a Plausible Claim for Relief Based on**
 24 **License**

25 Drawing all reasonable inferences in favor of Applied, *Retail Prop. Trust v. United Bhd. of*
 26 *Carpenters & Joiners of Am.*, 768 F.3d 938, 945 (9th Cir. 2014), Applied has pleaded a plausible
 27 claim for relief that Applied does not infringe the Asserted Patents based on the license between
 28 Symmorphix and Applied Komatsu.

1 Symmorphix and Applied Komatsu were two sophisticated commercial entities that
 2 negotiated an arms' length agreement which, among other terms, granted Applied Komatsu a
 3 license to certain Symmorphix patents, prevented Applied Komatsu from competing with
 4 Symmorphix, and released Dr. Demaray and the other former Applied Komatsu employees who
 5 joined Symmorphix of their assignment obligations. The Federal Circuit in *Whitewater* confirmed
 6 that, when there is no restraining effect on former employees, for the purposes of § 16600,
 7 commercial contracts between businesses are assessed under the less restrictive "reasonableness"
 8 standard. *Whitewater*, 2020 U.S. App. LEXIS 36394, *19 (citing *Ixchel Pharma, LLC v. Biogen,*
 9 *Inc.*, 9 Cal. 5th 1130, 1152, 1159 (2020) ("In sum, a survey of our precedent construing section
 10 16600 and its predecessor statute reveals that we have long applied a reasonableness standard to
 11 contractual restraints on business operations and commercial dealings.")).

12 Symmorphix bargained for, among other things, a non-compete provision from Applied
 13 Komatsu in exchange for a limited license grant to the Asserted Patents. Ex. H at 1. The license
 14 provision had no restraining effect on former Applied Komatsu employees, and was in fact,
 15 negotiated expressly to disclaim Applied Komatsu's ownership to post-termination inventions. *Id.*
 16 Therefore, under the Federal Circuit's rule-of-reason analysis, because enforcement of the license
 17 would have no restraining effect on any former employee, the license is valid under § 16660.

18 Here, there is no post-employment impairment of any former employee's ability to engage
 19 in their profession or trade by reason of the license. The SRA between Applied Komatsu and
 20 Symmorphix was a commercial contract between two sophisticated commercial entities that was
 21 negotiated at arms' length and therefore under *Ixchel* is properly assessed and confirmed as valid
 22 under the rule of reason standard. In fact, Symmorphix specifically requested that the SRA be
 23 amended to broaden the scope of Applied's agreement to not use its license to Symmorphix's
 24 intellectual property to compete with Symmorphix. *See supra* Section II.C.; Ex. H ("I received the
 25 attached memo from Corning last Friday requesting clarifications to Exhibit C of our agreement.
 26 Corning's major concern is that paragraph 3b) may be broader than intended and may allow AKT
 27 to use Symmorphix's patents to compete with Symmorphix in flat panel displays. . . . I suggest that
 28 paragraph 3b) be revised to restrict the license of Symmorphix' patents back to AKTA (and

AKTA’s parents) for use on silicon wafers for semiconductors.”). The amendment broadened the non-compete condition to “provided that AKTA shall not utilize such rights to pursue a business of providing Services” where “Services” is defined as “providing sputtered silicon deposition services.” Ex. G at 12. The amendment also removed the temporal limitation of “before January 1, 2001,” but limited the grant to inventions that (but for the release) would have been required by “existing AKTA Employee Agreements with any Symmorphix personnel”—*i.e.*, inventions of only the former Applied Komatsu employees, such as Dr. Demaray, and not all Symmorphix personnel, including those who did not have assignment agreements with Applied.

Demaray provides no basis whatsoever for declaring the license between Applied Komatsu and Symmorphix invalid under the applicable precedent. Rather, citing to the preamble language to the license grant, Demaray asserts a strained argument that the license is somehow dependent on the validity of the assignment provisions. *See* Mot. at 13 (“[t]o the extent required by existing [Applied Komatsu] Employee Agreements with any Symmorphix personnel . . .”). Not so. The purpose of this preamble language was not to add some purported condition precedent that the assignment provisions must be valid before the license is effective—to the contrary, both parties undisputedly assumed the assignments were valid and relied on that fact in good faith in re-negotiating Exhibit C to the SRA. Both Symmorphix and Applied Komatsu knew that former Applied Komatsu employees had assignment provisions in their employee agreements—and Symmorphix bargained for a non-compete from Applied Komatsu and in exchange granted Applied Komatsu a license to the Asserted Patents. Indeed, Demaray admits that as part of the SRA, Applied Komatsu agreed to release him and the other former employees from the assignment provisions in their employment agreements. Dkt. No. 23-1 ¶ 6. In sum, there is no basis in law or fact to claim that the license grant is somehow dependent on the validity of the employee agreements assignment clause, particularly where there is no plausible claim that enforcement of the license grant would impair any rights of the former employees or otherwise constitute a restraint of trade under § 16600.

E. Applied has Pleaded Sufficient Facts for a Plausible Claim for Relief for Non-Infringement based on the Assignment Provisions

1 **1. A Finding of Non-Infringement based on the Assignment Provisions in**
 2 **this Action Would Not Restrain Trade or Employee Mobility**

3 The Federal Circuit confirmed in both *Whitewater* and *Roche* that an essential threshold
 4 question under § 16600 is whether there is “evidence of a restraining effect on [a former
 5 employee’s] ability to engage in his profession.” *Whitewater*, 2020 U.S. App. LEXIS 36394, *26
 6 (quoting *Roche*, 583 F.3d at 837). Demaray does not argue that there has been a restraining effect
 7 on Dr. Demaray or any other former employee’s ability to engage in his profession—because there
 8 is none. The Federal Circuit’s reasoning in *Roche* is instructive: “Stanford provides no evidence
 9 that the [agreement] restrained Holodniy from engaging in any profession. Indeed, the record shows
 10 that Holodniy freely continued his [] research at Stanford: publishing articles and using the
 11 knowledge he obtained from Cetus to further the science behind the patents-in-suit.” *Roche*, 583
 12 F.3d at 845. The Federal Circuit in *Whitewater* approved of this reasoning in *Roche* and
 13 distinguished the facts before it, finding that enforcement of the assignment in that case prevented
 14 the former employee from being able to pursue a similar line of work for his subsequent employer.
 15 See 2020 U.S. App. LEXIS 36394, *15, 26 (“That ground, essentially a threshold ground for
 16 application of § 16600, readily distinguishes the present case.”).

17 Here similar to *Roche*, and distinct from the facts in *Whitewater*, the record is devoid of any
 18 plausible restraining effect on any of the former Applied or Applied Komatsu employees who
 19 joined Symmorphix. To the contrary, once they joined Symmorphix, Applied Komatsu provided
 20 systems, facilities, and lab space to Symmorphix for it, and the former employees, to continue
 21 developing technology they had been working on at Applied and Applied Komatsu. For example,
 22 Dr. Demaray freely continued his research at Symmorphix, publishing articles,⁹ filing patent
 23 applications, and using his knowledge obtained from Applied to further the science behind the
 24 Asserted Patents. Through this action, Applied is not seeking in any way to prevent Demaray,
 25 Symmorphix, or any former employees from developing technology or engaging in their

26 ⁹ See “Gain flattened, high index contrast planar Er3+-doped waveguide amplifier with an
 27 integrated mode size converter” authored, *inter alia*, by the named inventors of the Asserted Patents
 28 at http://www.edemaray.com/uploads/3/1/5/1/3151125/ofc_3_20_2002_paper.pdf.

1 profession. Nor is Applied seeking ownership rights—a critical distinction between the facts of this
 2 case and those presented in *Whitewater* and *Advanced*. For example, in *Whitewater*, the former
 3 employer was seeking ownership rights to the patents. *Whitewater*, 2020 U.S. App. LEXIS 36394,
 4 *2. Similarly, in *Advanced*, Applied sought to enjoin former employees from competing with
 5 Applied, and requested a judgment assigning full ownership over the patents at issue. *See* No. 7-
 6 cv-5248, FAC, Dkt. No. 31.

7 The context of those cases is critical, and confirms why those courts found in those specific
 8 cases that enforcing the provisions resulted in a restraint of trade in violation of § 16600. Here, to
 9 the contrary, Applied is not seeking ownership rights to the Asserted Patents or to enjoin anyone
 10 from practicing their trade or profession. Regardless of the outcome of this action, Demaray and
 11 the named inventors are free to continue practicing the inventions and to continue researching and
 12 developing in the technology space. For the assignment-based claim, Applied is only seeking a
 13 declaration that it does not infringe the Asserted Patents by reason of the assignment agreements.
 14 Thus, there is no evidence of a restraining effect under § 16600.

15 **2. Roche Confirmed that an Assignment Provision that, as Drafted,**
 16 **Could Reach Post-Termination Inventions Is Not Invalid as to Pre-**
Termination Inventions

17 The Federal Circuit in *Whitewater* cites positively to *Advanced* and reached the same
 18 ultimate conclusion: assignments of inventions conceived after termination without the use of the
 19 employer’s confidential or trade secret information are void under § 16600. *See Whitewater* at *23.
 20 However, *Advanced* went one step too far in holding the entire assignment provisions of the
 21 employment agreements at issue in that case invalid under § 16600 because it touched on post-
 22 termination inventions. *See Advanced*, 630 F. Supp. 2d at 1091 (“Since the Court finds that the
 23 Assignment Clause touches post-employment inventions, regardless of when they were conceived
 24 or whether they were based on Applied’s confidential information, the Clause necessarily operates
 25 as a restriction on employee mobility.”)

26 The Federal Circuit in *Roche*, decided after *Advanced*, rejected this reasoning. There, the
 27 assignment provision reached both pre- and post-termination inventions; and Stanford argued,
 28 analogous to the reasoning in *Advanced*, that since the assignment clause touched on post-

1 termination inventions it was overly broad and therefore the entire provision should be void under
 2 §16600, including inventions conceived before termination or using the employer's confidential or
 3 trade secret information. The Federal Circuit rejected this argument. *See Roche*, 583 F.3d at 845
 4 (“Stanford argues that section 16600 voids the VCA because Holodniy conceived the patented
 5 invention after departing Cetus, and the VCA violates public policy if it encompasses inventions
 6 conceived after employment terminates. . . . We find no merit in Stanford's arguments.”); *see also*
 7 *Bd. of Trs. v. Roche Molecular Sys.*, 487 F. Supp. 2d 1099, 1116–17 (N.D. Cal. 2007) (“In any case,
 8 the assignment clause at issue would only function as a non-compete provision if it required
 9 Holodniy to assign an invention conceived after he left Cetus. In other words, if the patented
 10 invention was conceived while Holodniy was still working at Cetus, the VCA is enforceable with
 11 respect to Holodniy's interest in that invention Because the invention was conceived during
 12 Holodniy's consultancy at Cetus, the court need not reach the issue of the enforceability of the VCA
 13 to inventions conceived after Holodniy left Cetus.”).

14 Thus, in *Roche*, both the district court and the Federal Circuit declined to invalidate the
 15 *entire* assignment provision simply because it *could* touch on post-termination inventions—and
 16 made clear that such an assignment clause is not invalidated as applied to inventions conceived
 17 during employment or using the employer's confidential or trade secret information.

18 This reasoning is supported by additional precedent in *Armorlite Lens Co. v. Campbell*, 340
 19 F. Supp. 273, 275 (S.D. Cal. 1972), which is cited favorably by *Whitewater*, 2020 U.S. App. LEXIS
 20 36394, *22. The *Armorlite* court reviewed an assignment provision that similarly touched both pre-
 21 and post-termination inventions. The court ultimately found the assignment invalid to the extent it
 22 reached post-termination inventions, however, it still upheld the validity of the same assignment
 23 provision as to pre-termination inventions. *See Armorlite*, 340 F. Supp. at 275 (“[T]o the extent that
 24 [the assignment clause] attempts to effect ideas and concepts not based upon the plaintiff's
 25 confidential information, that Agreement is void and unenforceable. However, based upon the
 26 *Winston Research* case, the Agreement is valid and enforceable as it relates to ideas and concepts
 27 which were based upon secrets or confidential information of the employer and which were
 28 conceived during employment or within one year of termination.”).

Therefore, to the extent the assignment provisions in this case could potentially be read to touch on inventions conceived post-termination or without using Applied's confidential information, the Court should follow *Roche* and *Armorlite* and enforce the assignment provisions, at a minimum, to include inventions conceived during employment or with Applied's confidential information. Demaray's argument that Applied's employee assignment provision, when it has no restraining effect on former-employees, is still void is far over-reaching. *See* Mot. at 12. Accepting Demaray's argument that *Advanced* applies to any and all similar Applied Employee Assignment provisions would void scores of lawful invention assignments to Applied, including inventions conceived during employment using Applied's confidential information. This cannot be the proper or intended result of the *Advanced* decision, and as such, further demonstrates that Demaray's arguments at the pleading stage should be denied.

3. There Is an Open Factual Question as to Whether the Named Inventors Conceived of the Invention During Employment and with Applied's Confidential Information

The Federal Circuit's holding and reasoning in *Whitewater* supports denying Demaray's motion to dismiss as to Applied's assignment-based non-infringement claims. The *Whitewater* court explicitly limited its decision to cases where the invention was conceived post-termination and without the use of the former employer's trade secrets or confidential information. 2020 U.S. App. LEXIS 36394, *11–12. In this case, there remains at least a factual dispute which will require discovery from Demaray and the other named inventors as to when the inventors conceived of the invention and whether they relied on confidential or trade secret Applied information to do so.

IV. CONCLUSION

For the foregoing reasons, Demaray's motion to dismiss should be denied.

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APPLIED MATERIALS